

Gaming Update



December 2005

Contents

"Pilot Program" for License Renewals.....	2
Redesigned \$10 Bill.....	2
Lottery Update.....	3
Did You Know?.....	3, 5
Training Sessions.....	3
North Dakota Games of Chance.....	4
Top Twenty Organizations.....	5
New - Compliance Review Program.....	6, 7
Trends in Gaming Activity.....	7
Holiday Greeting.....	
Back	

A copy of **GAMING UPDATE** is provided free of charge to all gaming distributors and organizations, and to the Gaming Commission and Advisory Board members. Please share this newsletter.

Public Hearings to Review Changes to Gaming Rules

Public hearings will be held in December to consider changes to the gaming rules proposed by the Gaming Advisory Board and State Gaming Commission. The public hearings will be held as follows:

■ Bismarck

Wednesday, December 14, 2005, 1:00 PM

Fort Totten Room, Capitol building, 600 E. Boulevard Ave.

■ Fargo

Thursday, December 15, 2005, 9:00 AM

City Commission Room, City Hall, 200 N 3rd St.,

■ Grand Forks

Friday, December 16, 2005, 10:00 AM

Education Room, Development Homes, Inc., 3880 S. Columbia Rd.

The purpose of the amendments is to address industry issues, improve accountability, clarify rules, and implement law changes.

A copy of the rules may be obtained by contacting the Gaming Division, 17th floor, State Capitol, by mail at 600 E. Boulevard Avenue, Bismarck, ND 58505, by calling (701) 328-4848 (local call) or 1-800-326-9240, or on-line at: www.ag.state.nd.us/gaming/gaming.htm,

Written or oral comments received by December 30, 2005, will be fully considered.



If you plan to attend a meeting and need assistance or accommodations, please contact the Gaming Division at least three days before the meeting, at 701-328-4848 or 1-800-326-9240.

“Pilot Program” for License Renewals

The Gaming Division sent a letter to all gaming organizations in early November asking for voluntary participation in a “pilot program.” Participating organizations will be able to receive 2006-2007 license renewal forms via e-mail rather than through the US Postal service, reducing time and expense for the organization and the licensing section.

A **Gaming Organization E-Mail Contact form** was included with the November letter. Organizations wanting to participate in this time-saving program should complete and return the form to the licensing section.

If you have any questions regarding this voluntary program or need the form, please contact Missy in the licensing section at (701) 328-2329.

Redesigned \$10 Bill

The Bureau of Engraving and Printing has unveiled the newly redesigned \$10 bill, in its ongoing effort to stay ahead of counterfeiting.

As you recall the newly designed \$20 notes were issued on October 9, 2003, followed by the redesigned \$50 notes issued on September 28, 2004. The newly designed \$10 note (featuring a much larger portrait of Alexander Hamilton) will start showing up on March 2, 2006. The bill features three major security improvements including color-shifting ink on the lower right side of the bill which changes from copper to green when tilted or shifted, holding the bill up to a light reveals a faint image or watermark to the right of the large portrait, and a security thread through the bill with the words “USA TEN”.

You can view the new color \$10 bill at: <http://www.moneyfactory.gov/newmoney/>



Lottery Update



The Powerball jackpot set an all-time record high of \$340 million for the October 19th drawing. With that jackpot, the Lottery set a daily sales record on October 19th of \$588,981 and a weekly sales record of over \$1.4 million!

The Lottery's sales for July 1 to November 22, are \$8.3 million. The Lottery projects sales for the 2005-2007 biennium of \$36 million!

On November 1, the Lottery launched Powerball and Hot Lotto Subscriptions. Subscriptions are an easy and convenient way for players to play the games, especially for our "snow bird" players! With a subscription, the player is automatically entered into draws for up to 1 year. Information about subscriptions, including the required forms, are available at all Lottery retailers and the Lottery's website - www.ndlottery.org.

The Lottery will be launching its fourth game "2by2" on February 2, 2006. The 2by2 game will have a draw every day, Monday through Saturday, and each play will cost \$1. More information about this game is available on the Lottery's website.

?Did You Know?

According to the Games of Chance Administrative Rules, a Paddlewheel operator may receive a tip with either a betting or casino chip. If a tip is made with a betting chip, a wheel operator must immediately exchange the betting chip for a casino chip in the inner table area for surveillance review prior to placing the exchanged casino chip in the tip receptacle. However, **no tip betting** is allowed on behalf of the wheel operator at a Paddlewheel table.

Training Sessions

The Gaming Division will be conducting training sessions in late February and early March, 2006. Training sessions have been tentatively scheduled for the following dates:

■ Fargo

Tuesday, February 28, 2006

■ Bismarck

Tuesday, March 7, 2006

Full day training sessions (8:30 a.m. - 5:00 p.m.) will be held in both Fargo and Bismarck.

A "Training Pre-Registration" form is enclosed. You may register by phone (ask for Laura, Monica, or Jen), FAX, or mail the registration form to our office. When calling, please have the registration information available.

Pre-registration is required. Class sizes are limited and registrations will be taken as they are received.

N.D. Admin. Code § 99-01.3-02-10(1) (Training and acknowledgement of the gaming law and rules) requires a gaming manager, and an employee who is principally responsible for auditing closed games or daily activity or does bookkeeping, who have no previous gaming-related experience in those capacities, within thirty days of their employment and within thirty days of each promulgation of rules, to request training from the attorney general.



North Dakota Games of Chance

The amount of money wagered on charitable games of chance for the quarter ended June 30, 2005, was down 2 percent or -\$1,370,254 when compared to June 30, 2004. For the fiscal year ended June 30, 2005, wagers were down by 1.35 percent or -\$3,677,556 when compared with fiscal year ended June 30, 2004. Gross wagers for the fiscal year ended June 30, 2005, were \$268,353,424 as compared to wagers of \$272,030,980 for fiscal year ended June 30, 2004. The trend continued with largest decreases in pull tabs with a decrease of 8.8 percent (-\$2,248,514) and bingo with a decrease of 5.9 percent (-\$615,264) while pull tab dispensing and twenty-one had increases of 7.1 percent (\$960,300) and 3 percent (\$544,777), respectively.

ANALYSIS OF GAMING ACTIVITY Quarter Ended June 30, 2005

	Gross Proceeds	Prizes	Adjusted Gross Proceeds
Bingo	\$9,850,887	\$7,402,735	\$2,448,152
Bingo - Dispensing Device	0	0	0
Raffles	770,677	342,736	427,941
Pull Tabs	23,370,220	18,512,016	4,858,204
Pull Tabs - Dispensing	13,550,301	10,535,228	3,015,073
Club Specials, Tip, Seal & Coin Boards	203,286	148,515	54,771
Punch Boards	3,150	2,261	889
Sports Pools	6,217	5,037	1,180
Twenty-One	18,175,155	15,398,906	2,776,249
Calcuttas	25,840	21,532	4,308
Paddlewheels	28,420	13,159	15,261
Paddlewheels – with Table	1,160,454	887,102	273,352
Other (Cash/Long/Interest/Poker)	<u>63,120</u>	<u>0</u>	<u>63,120</u>
Totals:	\$67,207,727	\$53,269,227	\$13,938,500

Less: ND Excise Tax	\$1,599,835
Federal Excise Tax	24,995
Bingo Sales Tax	<u>566,829</u>

Total Adjusted Gross Proceeds **\$11,746,841**

Less: Gaming Tax	\$852,405
Total Allowed Expenses	<u>6,807,988</u>
Total Deductible Expenses	\$7,660,393

Net Proceeds Earned \$4,086,448

Eligible Use Contributions \$5,394,705



Top Twenty Organizations

Quarter Ended June 30, 2005

Name	Active Sites	Gross Proceeds	Prizes	Adjusted Gross Proceeds
ND Association for the Disabled, Grand Forks	11	\$7,636,278	\$5,899,843	\$1,736,435
Plains Art Museum, Fargo	2	\$4,195,921	3,307,563	888,358
Prairie Public Broadcasting, Inc., Fargo	7	3,169,382	2,373,202	796,180
Minot Hockey Boosters, Inc., Minot	23	1,951,606	1,624,728	326,878
Grand Forks Blue Line Club, Inc., Grand Forks	3	1,601,768	1,287,286	314,482
West Fargo Hockey Assn., Inc., West Fargo	7	1,663,568	1,368,491	295,077
Bismarck-Mandan CVB, Bismarck	6	1,494,758	1,212,727	282,031
American Foundation for Wildlife, Bismarck	26	1,283,646	1,009,242	274,404
Development Homes, Inc., Grand Forks	9	1,442,823	1,184,154	258,669
Northern Prairie Performing Arts, Fargo	8	1,322,896	1,070,467	252,429
Listen Inc., Grand Forks	7	1,271,781	1,033,216	238,565
Red River Human Services FND, Fargo	5	1,463,617	1,249,873	213,744
Fort Abraham Lincoln Foundation, Mandan	14	1,124,415	926,745	197,670
Williston State College FND, Williston	8	999,617	802,548	197,069
Minot Junior Golf Association, Inc., Minot	4	1,035,185	840,790	194,395
The Team Makers Club, Inc., West Fargo	2	1,101,880	930,196	171,684
Dickinson Youth Activities, Dickinson	5	825,402	657,789	167,613
Special Olympics North Dakota, Grand Forks	12	976,902	818,575	158,327
Knights of Columbus Council, Jamestown	9	790,261	632,125	158,136
The ARC Upper Valley Inc., Grand Forks	10	825,344	674,370	150,974
	178	\$36,177,050	\$28,903,930	\$7,273,120

?Did You Know?

According to N.D.A.C. §99-01.3-03-05 (Reconciliation of net proceeds and trust account carryovers) organizations have until January 31st or an extended date approved by the Attorney General, to reimburse any imbalance identified for the quarter ended December 31st of the following:

- ◆ If an organization's gaming account check register balance (line 28 of the gaming tax return) is less than its net proceeds carryover balance (line 21 of the gaming tax return); and
- ◆ If an organization's trust account check register balance (line 27 of the gaming tax return) is less than its trust account carryover balance (line 26 of the gaming tax return).

The source of the deposits must be from nongaming funds and the organization must provide evidence to the Attorney General's office of the respective deposits.



New - Compliance Review Program

The Gaming Division recently implemented a limited compliance review program. Under the program, selected dates of activity and/or games for the major game types of bingo, pull tabs, pull tab dispensing devices, and twenty-one will be reviewed.

This limited compliance review will assist the Division in addressing the most critical accountability issues on an individual basis with the small and midsize organizations. The division expects to review the recordkeeping and critical control issues for 105 organizations during the 2005 – 2007 biennium, which began July 1, 2005.

To date, 58 organizations have been or are in the process of being reviewed. Upon completion of all compliance reviews, training sessions will be held around the state for organizations that had significant non-compliance issues.

Some of the frequently occurring non-compliance issues identified thus far are:

1. Redeemed pull tabs are not properly defaced.

Pull tabs are not defaced at all or are not being defaced through a winning number or symbol.

■ *Refer to NDAC § 99-01.3-06-02(10) (Conduct and Play); and § 99-01.3-12-04(1) (Requirements of a bar and an organization).*

ments of a bar and an organization).

2. Redeemed pull tabs are not retained in accordance with the accounting method of the prizes.

Redeemed pull tabs are not properly identified and retained by interim period or accounting method.

■ *Refer to NDAC § 99-01.3-06-03(2) (Recordkeeping); and § 99-01.3-12-04(5) (Requirements of a bar and an organization).*

3. Organizations do not have a proper count team for counting drop box cash.

The drop box is counted by only one individual. At times, this individual has been the dealer who conducted the activity that evening.

■ *Refer to NDAC § 99-01.3-08-14(2), (3), (4) (Drop box cash count).*

4. Bingo activity is unauditale.

The receipting method must reference the primary color, type, and serial number of the cards sold.

When using the paper card count, the daily records must include the total number of cards or collated sets taken from and returned to inventory.

Unless there is only one person on duty when the cards or sets are taken from or returned to inventory, the card/set count must be done by two people in the presence of each other and any differences must be resolved.

After completing and documenting the count, both persons must initial the record. The record must include the selling price of the card or set, and number of cards or sets issued, returned, voided, and sold for each type of card for the session.

■ *Refer to NDAC § 99-01.3-04-03(27) (Conduct and play); and § 99-01.3-04-06 (Paper card count).*

5. Organizations fail to use a proper receipting method and/or have insufficient daily records and inventory records.

If an organization does not use proper receipting methods or maintain sufficient inventory records for bingo, it cannot determine if specific paper bingo cards have been accounted for completely and accurately. Proper record keeping allows an organization to compare changes in inventory to cards reported as used on receipting records.

Organizations also fail to have a written bingo program, completed prize registers, and cash bank amounts counted and attested to by the employees on duty.



■ Refer to NDAC § 99-01.3-04-03(27), (29) (*Conduct and play*); and § 99-01.3-03-09(2) (*Inventory records of games, paper bingo cards, tickets, cash banks, and chips and reconciliation*).

6. Records are incomplete, unsigned, completed in pencil, or white-out was used.

Accounting records are completed in pencil and also the use of white-out was noted. In addition, daily records are incomplete and/or not signed by the individual completing or performing the transactions.

■ Refer to NDAC § 99-01.3-03-04(12) (*Restrictions and requirements*).

7. Inadequate deposit information and verification.

Cash profit is not timely deposited, deposit slips do not contain all required information, or there is no verification of the deposits to the bank statements.

■ Refer to NDAC § 99-01.3-03-10(1), (2), (6) (*Bank deposit and audit*).

8. Inadequate internal audit.

The activity or game is not audited or is audited by an improper individual who had access to the cash profit. In addition, the daily and/or summary records have mathematical errors or changes made to the records that have not been lined out or initialed by the individual making the changes.

■ Refer to NDAC § 99-01.3-03-10(7) (*Bank deposit and audit*).

9. Failure to use current recordkeeping systems.

Organizations are using outdated forms and/or are not using all the required forms for the respective game type (Twenty-one or pull tab dispensing device).

■ Refer to NDAC § 99-01.3-08-04(10) (*Video surveillance system*); and NDAC § 99-01.3-12-02(6) (*Use and requirements of an organization*).

Recordkeeping forms for all game types, along with examples and instructions, can be found on our website at www.ag.state.nd.us by clicking on Gaming.

The Gaming Division encourages all organizations to evaluate current gaming operations to avoid the noncompliance issues identified here.



Trends in Gaming Activity

The September 2005 *Gaming Update* newsletter highlighted the highest quarter of gross proceeds by individual game type dating back to 1986. This quarter we have compiled the total gross proceeds by fiscal year for all game types dating back 20 years.

FY Ended (June 30)	Total Gross Proceeds
1986	\$165,563,366
1987	178,838,155
1988	198,266,316
1989	215,409,713
1990	217,279,449
1991	207,664,934
1992*	239,300,944
1993	292,637,349
1994	295,620,794
1995	281,194,393
1996	288,016,975
1997	275,996,377
1998	276,557,346
1999	255,707,894
2000	259,090,567
2001^	246,862,824
2002	271,322,025
2003	273,307,252
2004	272,030,980
2005	268,353,424

* - Dispensing device rules approved
^ - Twenty-one bet limits increased



Office of Attorney General
Gaming Division
600 East Boulevard Avenue
Dept. 125
Bismarck, ND 58505-0040

www.ag.state.nd.us

Official Mail
State of North Dakota
Return Service Requested



Holiday Greeting

Best wishes for a happy holiday season from Attorney General Wayne Stenehjem and the staff of the Gaming division and Licensing section:

Keith, Tracy, Colleen, Kara, Laura, Renae, Deb, Rebecca, Monica, Terry, Marguerite, Sonja, Michelle, Jennifer, Missy, and Coleen.

A Holiday Wish - "May you never forget what is worth remembering, or remember what is best forgotten." (anon).